

# Annual Audit Letter

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Basildon District Council

Audit 2008/09

December 2009



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

**This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your accounts and the results of the work I have undertaken to assess the way in which you use your resources.**

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## Accounts

- 1** The Council is required to prepare and approve its accounts by the 30 June 2009. The Council met the deadline. The accounts were complete and were supported by a good set of working papers, which enabled me to complete my audit by the 30 September deadline.
  - 2** Our audit did find some errors in the approved accounts which the Council agreed to correct. I reported these to the Council's Audit and Risk Committee (as those charged with the governance of the Council).
  - 3** As a result of my work, I concluded that the accounts 'presented fairly' the Council's financial position at the 31 March (an unqualified audit opinion) and its income and expenditure for that financial year.
  - 4** An enhanced reporting framework (International Financial Reporting Standards) is to apply to all Councils accounts in 2010/11. The Council have developed a project plan to implement these standards and is progressing with the implementation of this plan.
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## Use of Resources

- 5** We assess how the Council makes use of the resources at its disposal to provide local services. A national framework is applied to our assessment, with a score given between 1 (inadequate and below minimum standards) and 4 (performing strongly) in each of three key areas.
  - 6** The council is performing well overall (Level 3). It attained the following scores in our assessment.
    - Level 3 in respect of the way it manages its finance.
    - Level 3 in respect of the way it governs the business.
    - Level 2 (performs adequately) in respect of the way it manages its resources.
  - 7** The Council have good arrangements in place for managing finances with effective financial planning, budget monitoring and statutory financial reporting. There is further work required to develop clear links between cost and performance information.
  - 8** The Council have good arrangements in place for governing the business. Services are commissioned through a variety of means, there is a strong governance framework in place and risk management arrangements are well developed. Further work is needed to develop the arrangements for securing the quality of data.
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- 9 The arrangements for managing resources are considered adequate. The Council has identified key people management goals via the People Plan and has managed its staff well through organisational changes. There is a need to plan to identify skills gaps and staff requirements in the medium to longer term.

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### Managing performance

- 10 The Audit Commission also assesses how well the Council manages and improves its services and contributes to wider community outcomes. The assessment considers how successful the Council is in delivering its corporate priorities. The priorities have been drawn from what matters most to the local people.
- 11 The managing performance score is 3 because the Council is delivering improvements for local people and performing well. Despite the economic conditions the Council continues to progress its ambitious regeneration plans - a developer has been found for Basildon town centre and work has begun revitalising the Fryerns and Craylands estates. Recycling rates are increasing and streets are cleaner. People in Basildon are safer with crime reducing and the Basildon Community Safety partners have worked together on a number of initiatives such as discount leisure cards and firewatch to reduce antisocial behaviour.
- 12 There are some problems the Council has to address. Resident satisfaction with the area as a place to live remains low and too many people are living in homes which do not meet the decent homes standard. More work is needed to continue improving access to services to all community groups, including the traveller community.
- 13 The Council provides good leadership across the district. It understands local need and its priorities reflect this understanding. The Council has clear ambitions and is bringing its various plans together into one place to increase clarity, focus and direction. Work is underway to develop the skills and capacity it needs to deliver its priorities through its talent management programme. Its ongoing programme of service reviews is starting to make a real difference and improve services for residents. Partnership working is improving although performance management and scrutiny need to be improved so the Council can be sure that partnerships are effective in helping it deliver its priorities.

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### Overall Organisational Assessment

- 14 The Use of Resources and Managing Performance assessments are combined to give an overall organisational assessment judgement for the Council. The Audit Commission has determined that the organisational assessment judgement for Basildon District Council is that it performs well.
- 15 The Council's Managing Performance and Organisational Assessment are being reported separately by the Audit Commission's Comprehensive Area Assessment Lead for Essex.

## Key messages

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### Financial standing

- 16** The last year has seen the country enter a significant economic recession. One consequence is an increasing demand for public services and the likelihood of reduced levels of central government funding. Together, these provide a significant challenge for local councils as they seek to continue to provide services to local residents, whilst maintaining a sound financial position.
- 17** The Council is responding to this challenge, with the implications of the recession understood, and the challenges faced being acknowledged by the Council as a whole. The latest financial strategy considers the impact of the economic downturn and addresses the funding shortfalls and increased demand for services identified.
- 18** The impact of the recession will continue to present a challenge to the Council in the coming financial year. I will continue to monitor the Council's response and actions in this key area.

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### Audit fees

- 19** I have been able to deliver and conclude my audit programme within the fee that I planned.

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### Independence

- 20** As the External Auditor appointed to audit the Council, I have to maintain my independence. I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

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### Recommendations

- 21** I have made a number of recommendations within my Annual Governance and Use of Resources reports to further develop the arrangements in place at the Council.
- 22** The Council should monitor the implementation of these recommendations.

# Financial statements and annual governance statement

**The Council's financial statements and annual governance statement are an important means by which the Council's accounts for its stewardship of public funds.**

- 23** I issued an unqualified opinion on the Council's accounts on 30 September 2009, thereby meeting the 30 September deadline set within the Accounts and Audit Regulations 2003. In my opinion the accounts present fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.
- 24** Before giving my opinion, I reported to those charged with governance, in this case the Audit and Risk Committee, on the issues arising from the 2008/09 audit. I presented my report on 29 September 2009.

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## Accounting issues

- 25** The draft accounts were approved on 30 June 2009, meeting the 30 June deadline specified in the Accounts and Audit Regulations 2003.
- 26** The working papers supporting the accounts were prepared to a good standard and responses to queries and requests for additional information were helpfully and promptly dealt with by finance staff.
- 27** The audit did not identify any material errors in the financial statements. However, amendments were made to the notes to the accounts to ensure they were correctly stated. The total impact on the Income and Expenditure Account (I&E) was to increase the deficit by £1,663k with no impact on the General Fund. The additional charge to the I&E related to additional depreciation chargeable on property that had been incorrectly calculated.
- 28** I did not identify any significant weaknesses in your internal control arrangements and the Council's annual governance statement was in accordance with requirements. The Council's internal audit team comply with the requirements of the CIPFA code. The financial systems underpinning the accounts continue to operate with generally sound controls in place. However, there is still some scope for further improvements which were outlined in my interim report.
- 29** I presented my Annual Governance Report to the Council on 29 September 2009, which included the full details of the issues arising from our audit of the accounts.

### Certification of claims and returns

**30** We certify the Council's claims and returns on the following basis.

- Claims below £100,000 are not subject to certification.
- Claims between £100,000 and £500,000 are subjected to a reduced, light-touch certification.
- Claims over £500,000 are subjected to a certification approach relevant to the auditor's assessment of the control environment and management preparation of claims. A robust control environment leads to a reduced certification approach for these claims.

**31** The audit of the Council's claims has identified that all have been completed in accordance with the guidance with three qualified claims to date (Housing Benefits, Housing Subsidy Base Data and Pooling of Capital Receipts claims) and amendments identified on one claim (Housing Subsidy Base Data). The Council's working papers were of a good standard and have supported the figures included in the claims. All queries have been dealt with promptly and effectively by officers.

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### Treasury management arrangements

The Council did not have any investments with Icelandic banks. I have reviewed the Authority's treasury management arrangements and have concluded they are adequate.

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### International Financial Reporting Standards

- 32** The national timetable for the implementation of International Financial Reporting Standards (IFRS) means that these will be first applied in the 2010/11 financial year. However, restatement of the 2009/10 balances will be required to provide comparative data.
- 33** Applying IFRS will have significant implications for the way in which local authorities prepare their annual financial statements. The Council has a detailed project plan in place, with key milestones, and progress is reported to the Audit Committee. The Council is currently progressing in line with the timeline recommended by the CIPFA guidance.

# Value for money and use of resources

I considered how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and gave a scored use of resources judgement.

I also assessed whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

## Use of resources judgements

- 34** In forming my scored use of resources judgements, I have used the methodology set out in the [use of resources framework](#). Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from 1 to 4, with 4 being the highest. Level 1 represents a failure to meet the minimum requirements at level 2.
- 35** I have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.
- 36** The Council's use of resources theme scores are shown in Table 1.

**Table 1 Use of resources theme scores**

Use of resources theme	Scored judgement
Managing finances	3
Governing the business	3
Managing resources	2

- 37** The key findings and conclusions for the three themes, and the underlying KLOE, are set out in my detailed Use of Resources report. The key theme findings are summarised below.

## Value for money and use of resources

### Managing finances

- 38** There is strong financial planning process in place, supported by balanced budget setting, with links back to the corporate plan and sustainable community strategy.
- 39** The Council has achieved efficiency savings in the context of costs that start from a high base. It understands its costs but a recurring theme is that the Council does not link its understanding of costs and performance consistently or systematically. The programme of lean service reviews should contribute to addressing this issue.
- 40** There is clear definition of roles and strong monitoring of the Council's financial position by officers and members which is supported by effective financial reporting to both groups throughout the year. The annual accounts contain no material errors and have been approved in accordance with statutory deadlines.

### Governing the business

- 41** The Council has a clear vision of priorities for local people and commissions services to meet these priorities through the effective involvement of suppliers. The Council has the vision, understanding and the required processes in place to commission and deliver these services. The Council uses benchmarking where the information is easily obtainable as part of service reviews to identify opportunities for improvement.
- 42** The Performance Management Framework (PMF) provides an approved process and accountability framework for performance management. Monitoring performance is effective with progress against the Corporate Strategic Improvement Plan captured on a quarterly basis. Data security and data quality generally meet minimum standards, although the exception to this is the arrangements for ensuring data quality of partnership data which was also reflected in the results of our data quality spot checks. There is also further work required to deliver GCSX (a secure government internet connection).
- 43** There is a strong governance framework in place led by internal audit and with all expected documentation in place which is communicated to staff. There are effective arrangements in place in respect of counter-fraud and whistleblowing as well as gifts and hospitality and complaints procedures. This is supported by a clear but evolving Council vision underpinned by an effective ethical framework.
- 44** There are effective arrangements for risk management in place with officer and member scrutiny in place. This covers all key business areas and training is provided to new members specifically but with wider distribution to all members. Counter-fraud arrangements are strong with clear reporting lines and evidence that cases are dealt with effectively. There is a sound system of internal control driven by internal audit with to effective reporting to the Audit and Risk committee.

### Managing resources

- 45** The Council has an appraisal process which has been strengthened. Gaps in skills are starting to be identified in a more systematic way and the Council contributes to developing the next generation of skilled specialist by offering apprenticeships and graduate placements and there is support in place for staff to develop and train. External training budgets are centralised to ensure spending is better matched to corporate needs.
- 46** The Council has a People Plan which sets out many of its key people management goals. However, it does not clearly identify that it knows in the medium to longer term what staff it will need. Workforce planning is in its early stages with a pilot in Planning.
- 47** The Council underwent two big organisational changes in 2008/09 - the 'Big Move' and the restructure of the revenues and benefits team - with good staff and Trade Union consultation at every stage. Furthermore staff have access to an employee assistance programme.
- 48** The Council has demonstrated good people management with managers supported to implement policies and practices. Effective sickness absence policies have reduced absence levels. The Council has achieved Level 2 of the Equality Standard.

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### VFM Conclusion

- 49** I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body.
- 50** Based on the Use of Resources assessment, which was linked to the VFM Conclusion criteria, I was able to issue an unqualified conclusion, stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Financial standing

- 51** The economic downturn and banking crisis is having a very significant impact on public finances and the bodies that manage them. The impact on treasury management strategies has been immediate, but there are wider and more fundamental impacts on the ability of public sector bodies to fund service delivery and capital programmes, including pressures on income streams.
- 52** The Council has felt the impact of the recession in a number of areas which include increased levels of claims for Housing Benefit and a drop in income. In response they have been able to maintain service delivery levels in those areas hard hit and are looking at ways of flexibly utilising resources and identifying opportunities to support and lead initiatives to minimise the impact.
- 53** The financial position of the Council is becoming increasingly challenging, in particular for future financial periods (2009/10 onwards). The Council is responding to this challenge; the medium term financial strategy considers the impact of the economic downturn and addresses the funding shortfalls identified. The implications of this are understood and the challenges faced are being acknowledged by the Council as a whole.
- 54** Though the economic downturn is presenting specific issues and risks to the Council, I am satisfied that it is taking appropriate steps to respond. However, this is an area I will continue to consider closely when assessing how the Council makes effective use of resources during my 2009/10 audit.

# Audit fees

55 The audit has been delivered and concluded within the planned fee.

**Table 2     Audit fees**

	<b>Actual</b>	<b>Planned</b>	<b>Variance</b>
Financial statements and annual governance statement	£103,572	£103,572	£0
Use of resources and performance reviews 2007/08	£36,917	£36,917	£0
Data quality 2007/08	£13,975	£13,975	£0
Whole of government accounts	£2,815	£2,815	£0
<b>Total audit fees</b>	<b>£122,828</b>	<b>£122,828</b>	<b>£0</b>

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# Closing remarks

- 56** I have discussed and agreed this letter with the Chief Executive and the Executive Director and s151 Officer. I will present this letter at the Audit Committee on 19 January 2010 and will provide copies to all members.
- 57** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Council during the year.

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**Table 3**

<b>Report</b>	<b>Date issued</b>
Audit and inspection plan	July 2008
Supplementary opinion audit plan	January 2009
Interim Report	June 2009
Annual Governance Report	September 2009
Opinion on the financial statements	September 2009
Value for money conclusion	September 2009
Use of Resources report	October 2009
Organisational Assessment and Managing Performance	December 2009
Annual audit letter	December 2009

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- 58** The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and co-operation during the audit.

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## Availability of this letter

- 59** This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk) and also on the Council's website.

Paul King  
Appointed Auditor  
December 2009

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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## Copies of this report

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